

Prismi

A leader in Italian digital marketing

FIRST COVERAGE

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Technology

IR TOP RESEARCH

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COMPANY DESCRIPTION

PRISMI SpA is an Italy-based company active in the digital marketing sector with special focus on micro-business and SMEs. The Company is primarily engaged in the provision of search engine optimization (SEO). With pluriennial market experience in the web marketing sector, c.160 employees, a nationwide sales network of c. 200 highly specialized agents and a client base of c. 5,000 clients, the Company is **among the three market leaders in Italy** in digital marketing services to SMEs.

After a troublesome period in 2015-2016 the Group has recently undergone **restructuring of the organization and the business model**. In late 2017 the Group made two smaller acquisition of companies with complementary services (digital transformation) and client segments (corporate and PA). FY 2018 closed with revenues of 21.2 Eu m, +42% vs. 2017 exceeding pre-crisis peak level (FY 2014 revenues of 15 Eu m). The Company announced revenues at the end of April 2019 of 8.7 Eu m (management accounts), +18% vs. last year.

BUSINESS MODEL

The business model is based on a wide range of services that, thanks to continuous innovation, are able to satisfy both SME's digital marketing needs as well as the demand of online and offline communication of Big Clients and PA. With a strong focus on marketing services (in particular SEO) for SMEs, the business is characterized by payments in instalments for the total duration of a contract (c. 30 months on average). This dynamic causes a high level of trade receivables as revenues are fully recognized at signing of a new contract (when all relative costs are sustained), and consequently an important need to finance working capital.

STRATEGY

PRISMI 's business plan is built on the following strategic actions:

- launch of **new products** with a particular focus on advanced innovation;
- **Focus on Wellnet's value added services**
- Improve delivery also through the strengthening of customer care;
- strengthening of the **sales network**;
- **Focus on receivables and financial equilibrium**

2019-2021 ESTIMATES

We believe revenues can grow by +23% in 2019 and after that at a 2019-2021 CAGR of +15%. At the end of 2021 EBITDA margin is expected to reach 21% (13% in FY 2018) and Net debt 15.8 Eu m with an Net Debt/EBITDA ratio of 2.2x (9.1x in FY 2018). **Key success factors in support of the plan:**

- Cash flow from reduction in overdue credits;
- Entering into a securitization agreement within 1H 2019;
- Increase in client base of SMEs thanks to strengthening of sales force;
- Cross selling opportunities from offering Wellnet's services to the already large client base of SMES's

VALUATION

We set a 2.81 Eu p.s. target price, providing an upside to the. current share price (2.06 Eu p.s.) of 37%. The TP was obtained by applying a Discounted Cash Flow model as the important amount of Net Debt makes a relative valuation (market multiples) irrelevant. We used a WACC of 9.9%, and a g of 1%.

Target Price (Eu)

Target Price (Eu)	2.81
Market Price (Eu)	2.06
Capitalisation (Eu m)	22
Enterprise Value (Eu m)	47
(as of May 8 th , 2019)	

AIM Positioning

FY 2017 (Eu m)	Company	AIM Sector*	AIM Italia
Revenues	15	41	42
Revenues YoY	+21%	+19%	+10%
EBITDA Margin	6%	14%	13%
Net Debt (Cash)	19.1	-1.4	7.8
Net Debt/EBITDA	20.1	1.2	1.5
Market Data (Eu m)	Company	AIM Sector*	AIM Italia
Capitalisation	22	79	61
Perf. from IPO	-91%	17%	-7%
Free Float	72%	30%	38%
ADTT YTD (Eu)	49,480	156,686	103,004

Source: Factset Data and Osservatorio AIM Italia as of May 13rd, 2019

* Technology

Results & Estimates

Key Figures (Eu m) – IAS/IFRS	17A*	18A*	19E	20E	21E
VdP	15.0	21.2	26.1	30.0	34.5
YoY growth	+21%	+42%	+23%	+15%	+15%
EBITDA	0.9	2.8	4.4	5.6	7.2
EBITDA%	6%	13%	17%	19%	21%
EBIT	(1.1)	0.6	2.7	3.9	5.2
EBIT%	-8%	3%	10%	13%	15%
Group's Net Profit	(3.4)	(1.7)	0.5	1.0	1.7
Net Debt (Cash)	19.1	25.4	23.9	18.4	15.8

Source: Company Data for 2017-18 and IR Top Estimates for 2019-21 consolidated results

* Reported

Peers Comparison

EV/EBITDA (x)	19E	20E
Prismi	6.7	5.3
Median AIM "Digital"	8.1	6.0
Discount/Premium to Peers	-17%	-13%

EV/EBIT (x)	19E	20E
Prismi	8.8	6.6
Median AIM "Digital"	13.2	8.6
Discount/Premium to Peers	-33%	-24%

Source: IR Top Estimates for Prismi and Consensus comparables as of May 13th, 2019

Performance

	1M	3M	1Y
Absolute	-5.1%	-5.9%	+21.5%
Relative (FTSE AIM Italia)	-4.2%	-7.4%	+30.9%
52-week High/Low (Eu)*	3.12 / 1.39		

Source: Factset data

* Intra-day values

Please, read important disclaimer on the last page of this report.

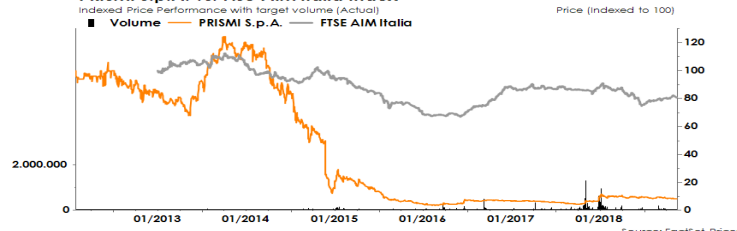
SHARE DATA

Market	AIM Italia
Reuters/Bloomberg	PRSM.MI/PRM IM
ISIN	IT0004822695
N. of Shares	10,497,539
Free Float	74.4%
Main Shareholder	Syner.it informatica srl (10.812%)
Chairman and CEO	Alessandro Reggiani

PRISMI S.p.A. vs. Ftse AIM Italia Index

Indexed Price Performance with target volume (Actual)

■ Volume — PRISMI S.p.A. — FTSE AIM Italia



GROUP PROFILE AND BRIEF HISTORY

PRISMI is leader in Italy in SEO

20 years of experience in web marketing sector

Restructuring phase starting from 2015

Acquisition of Wellnet and InGrandiMenti

Capital increase, new Strategic Plan and Securitization agreement

GROUP STRUCTURE

PRISMI SpA, formerly Primi sui Motori SpA, is an **Italy-based company active in the digital marketing sector with special focus on micro-business and SMEs**, through 4 highly specialized companies.

The Group is primarily engaged in the provision of **search engine optimization (SEO)** services, which include the process of improving the visibility of a Website or a Web page by obtaining a high-ranking placement in the search results page of a search engine.

The Company is also involved in the implementation and improvement of Websites and web portals; development of software for e-commerce, and social media marketing; keywords and pay per click (PPC) advertising activities, among others.

With pluriennial experience in the web marketing sector, c. 160 employees, a nationwide sales network of c. 200 agents serving c. 5,000 clients in Italy and Switzerland, PRISMI closed 2018 with total revenues of about 21 Eu m, up 42% from 2017.

PRISMI was founded in Modena in 2007 by Alessandro Reggiani (current CEO), and has been listed on the AIM Italia market since 2012. In 2013 the Company acquired majority stakes in three Italian companies offering complementary services and targeting different customer segments: 3ding, 2thepoint and Creare Valore. In 2015 the Company registered a significant drop in revenues caused by the application of stricter payment policies after having cumulated significant overdue receivables. In 2H 2015 the Group went back to original payment terms.

In 2015-2016 the Group underwent a restructuring phase, after the entry of a new pool of shareholders, including in particular (i) implementation of credit risk management measures, (ii) rationalization of internal organization, and (iii) restructuring of the sales network with the migration towards a business model less dependent on call centres for the lead of customers in favour of one with more direct contact with agents in order to facilitate credit collection and increase customer loyalty. Management has also been taken actions to improve service offering and target the corporate client segments.

In late 2017 the Group made two important acquisitions, Wellnet and InGrandiMenti with which the Group gives additional fuel to the ongoing change in business model. The rationalization process of the Group's structure also continued with the mergers of 3ding, 2thepoint and Wellnet web-being in Wellnet, and of Creare Valore in PRISMI SpA. Further, in 2017 the Group founded PRISMI CH, to target Swiss SMEs.

In FY 2018 the Company raised a total of 4.9 Eu m through a **capital increase** (March and December). At the end of February 2019, the Company announced a **new strategic plan** including the entrance into a credit **securitization agreement** for a maximum amount of 20 Eu m.



PRISMI SpA is the holding company of the Group focused on **Search Engine Optimization (SEO)**. Target clients are SMEs where the company has a current portfolio of about 5,000 companies.



Wellnet supports medium and large enterprises and public administration in **Digital Transformation** processes, both internal (such as Sales network, warehouse, internal communication) and external (like websites, web platform, web marketing). Wellnet is **one of the Italian leader in development in Drupal** (a software platform of Content Management System – CMS). 88.66% held by PRISMI SpA.



InGrandiMenti is a web agency, specialized in management training for the use of LinkedIn's Sales Navigator tool. The company offers 3 (out of 4 in Italy and 11 in Europe) certified professionals. InGrandiMenti is held at 100% by PRISMI SpA. During 2019 the company will be merged by incorporation into PRISMI SpA.



PRISMI CH (held at 65% by PRISMI SpA) offers the same products and services as PRISMI SpA to the Swiss market.

BUSINESS MODEL

4 Strategic Business Unit for the delivery of specific services

Focus on highly standardized SEO services

Product Innovation

Control of the value chain

PRISMI Group is structured in 4 business units, each responsible for the delivery of specific services:

- **Web marketing:** SEO, AdWords, Social Network, Content Marketing and other
- **Technology:** design, implementation and management of Websites, E-commerce platforms and online stores)
- **Creativity:** Brans strategy& Creativity, content creation, social media and digital PR, user interface design and development.
- **Training:** management training offered to B2B clients with particular focus on LinkedIn's Sales Navigator tool, DRUPAL (software platform of Content Management System) and SEO.

PRISMI has a strong focus on SEO (53% of total 2018 revenues) where the Group is **market leader in the SME customer segment**. Services offered to this client segment are highly standardized and sold on a modular basis. PRISMI's internally developed proprietary software, based on the Group's pluriennial market presence offers analyses criteria on which search engines classify web sites. The software, developed in 2000 and continuously improved.

Thanks to **continuous innovation and synergies between the subsidiaries** PRISMI offers an extended portfolio of services able to satisfy both SME's digital marketing needs as well as the demand of online and offline communication of Big Clients and PA. In 2018 technological innovation focused on four specific projects:

Artificial intelligence: leveraging on PRISMI's market experience in the SEO field and the technological know-how of Wellnet, the Group has designed the first Italian SEO platform based on artificial intelligence (AI).

Voice assistant: although the market for Voice Services, such as Alexa skills (Amazon) and the "actions" of Google Home, has just taken off the Company has recently realized a project for digital assistance in order to provide aid to client's users through phones and voice recognition applications.

Q&A testing: Wellnet has created a software that allows to automate **quality assurance** of more complex projects such as large e-commerce platforms

WideMark: a web platform that allows any SME, to start selling its products online on the most important market places (amazon, e-bay, Google Shopping, etc.) through a very simplified process. Widemark also uses price comparison tools to increase traffic and conversions.

PRISMI operates with an organizational model that oversees the whole value chain.



- **First Contact:** unlike in the past when this activity was made by call centers, the first contact is now made directly by agents. Unsolicited first contact is also made directly through the Group's web sites
- **Presale:** monitored by agents. During this phase, PRISMI analyses the needs of the potential customer, the type of business in which it operates and the keywords that might be suitable in case the latter wishes to use the SEO service.
- **Meeting:** the agent make an appointment with the potential client, in which he defines the concrete needs of the clients and, at the same time, he shows the services provided by PRISMI also through the use of a special report about the services that may be of interest to the customer on the basis of those already provided to a customer similar to the potential client.
- **Agreement:** in case of a positive outcome of the meeting, the stipulation of a specific contract with the new customer takes place.
- **Service Delivery:** after the customer department has defined the details of the service to be delivered to the new customer, the technical department develops the project and provides the service.
- **Report:** the customer is updated periodically via an e-mail report which highlights improvements client's positioning.

CLIENT BASE

High diversification by industry

The client base represent one of the main strengths of the Group as is one of the largest/the largest in Italy with c. 5,000 SMEs, covers all types of clients (SMEs, corporate, and PA) and diversified over industries.

Micro and small businesses: 85% of PRISMI's revenues are generated by Micro and Small businesses that are offered highly standardized web marketing services. Among these customers there are also SMEs with high web marketing spending and medium sized companies (average spending about 20 Eu k). As common in this industry for this segment PRISMI adopts a 24/48-month payment plan with monthly payments (average duration of 18 months). Average value of a contract is about 5,500 Eu.

Large clients: 15% of revenues generated by large multinational companies with budgets that range from 20-200 Eu k. These clients are usually offered custom made Digital Transformation services. The integration of 3ding, 2thepoint and Wellnet web-being in Wellnet allows the Group to made upselling actions, with an integrated offer, on the customers of the 3 companies.

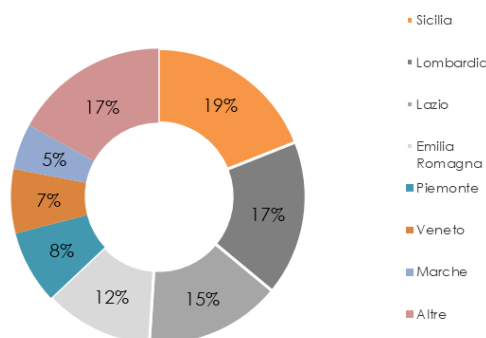
Public Administration: for the development of specialized websites, currently a small part of total revenues but a segment that could grow thanks to the participation in calls for web marketing services in the public administration.

With a strong focus on the Micro and Small company segments, the business is characterized by payments in instalments for the total duration of a contract with a client (c. 30 months on average). This dynamic causes a high level of trade receivables as revenues are fully recognized at signing of a new contract (when all relative costs are sustained), and consequently an important need to finance working capital.

Capillary sales network: c. 200 Agents

PRISMI's clients cover over 10 industries with the first six (House, Construction and Real Estate, Health and beauty, Transport, Catering and Spare Time, Furniture) covering c. 50% of total sales. This shows how the group is able to cover the market in a horizontal way. PRISMI Group operates with a **sales network of c. 200 highly skilled agents** (almost all with exclusivity agreements) dedicated to the Micro and Small business segments. The agents are specialized in digital with high vertical knowledge for the products and services offered and includes **40 Top agents** who have been in the company since 2013. The agents' network covers all Italian regions.

Break-down Revenues by Regions



OWNERSHIP

Principal shareholder:
Syner.it informatica srl
(10.812%)

Syner.it Informatica srl is principal shareholder with an overall holding of 10.812% of outstanding shares.

The share capital subscribed and paid up is 10,497,539 Eu, made up by n. 10,497,539 ordinary shares.

Free float is 72.421%

Shareholder	n. of shares	%
Syner.it informatica srl	1,135,048	10.812%
Tendercapital Alternative Funds Plc	1,057,277	10.072%
Tendercapital Funds Plc	702,847	6.695%
Other Shareholders (<5%)	7,602,367	72.421%
Total	10,497,539	100%

Source: Company Data – Press Release May 3rd, 2019

List vote: 10%

GOVERNANCE

7 board members, 1
Independent

The Board of Directors has 7 members, 1 of them is Independent.

Alessandro Reggiani – Chairman and CEO: Graduated in Computer Engineering at the University of Modena in 1997. Shortly after, he founded Syner.it Informatica, a software company geared towards SME customers and in 2007 he founded PESIMI where he currently holds the positions of Chairman of the Board of Directors and Chief Executive Officer.

OPPORTUNITIES

Digital Transformation of Italian SMEs is still in an embryonic phase

PRISMI is leader in SEO in Italy

Unique client base: with a client portfolio of c. 5,000 SMEs the Group present interesting cross –and up selling opportunities.

Leader in a Growing market: is among the three market leaders in Italy in digital marketing services to SMEs, and is as such well positioned exploit the opportunity of digitalization process of SMEs offered by the market and to increase its market share.

Capillary and skilled sales network: sales network of c. 200 highly skilled agents (almost all with exclusivity agreements) and nationwide presence. All agents are specialized in digital with high vertical knowledge for the products and services offered.

Wide service offering and Industrialized process: highly standardized offer for the SME segment which should allow higher margins. Wide service offering with opportunities of cross and upselling.

Growing financials: thanks to the turnaround process, financials results have started to show a recovery both in terms of revenues, marginality and reduction of overdue credits. The management expects to continue the growth path also in 2019 and in the years to follow.

Know How: important technological know-how recognized on international level within the organization (Drupal, e Lickedin).

MAIN RISKS

Overdue receivables and Net debt position: High level of overdue receivables accumulated up to 2014. With average duration of current receivables of 18 months, cash conversion from growth in revenues and operating lags net working capital requirements and net debt must be kept under control. The Group, in addition, currently presents about 6 Eu m of rescheduled tax/securities debt.

Interest coverage: with a structural high level of net debt, operating profit must be brought to and adequate level in order to cover financial charges.

Credit collection: with highly fragmented trade receivables, credit collection must be kept under control. PRISMI has implemented important credit monitor measures that have reduced risk of continuous generation of overdues

Operating leverage: a high percentage of costs incurred by Group companies are fixed, therefore not affected by the amount of products and services sold. A possible reduction in the number of contracts signed or average contract amounts can have a negative impact on the Group's profitability.

Liquidity: the sale of services with payment by installments, carried out by PRISMI S.p.A., consists of a financial cycle in which monetary imbalances of cash flows can occur, necessitating a mix of sources of financing balanced with the dynamics of credit.

REFERENCE MARKET

Italian Internet Advertising market value: 790 Eu b (+8%)

Significant growth potential for Internet in Italy

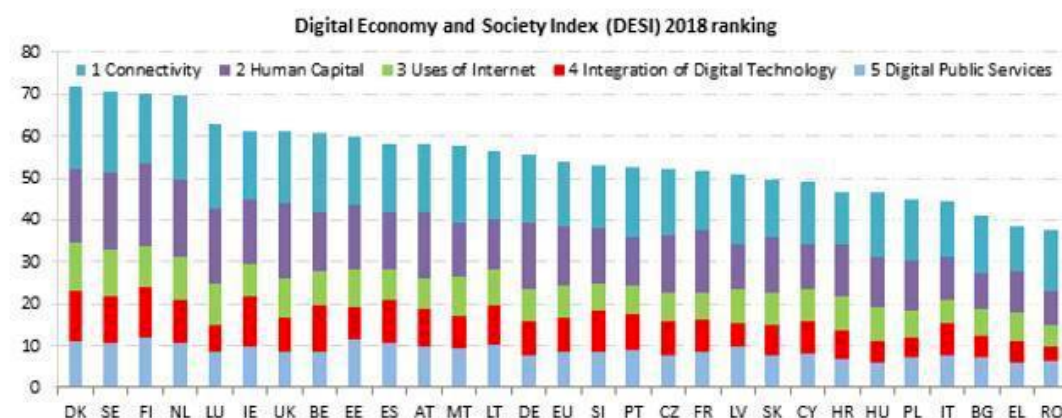
PRISMI Group is a player in the Italian digital arena and, in particular, in the provision of search engine optimization (SEO) services, with special focus on micro-business and SMEs.

The reference market is the domestic Digital Marketing sector, and in particular the Internet Advertising segment that in 2017 reached 2.7 Eu b, +13% vs. 2016. The "search" component (i.e. visibility on search engines) represents c. 30% with a total value of 790 Eu m (+8% vs. 2016) (Osservatorio.net).

In terms of digitalization, Italy is still far from being defined as a "Digital" Country. According to the **Digital Economy and Society Index (DESI)*** that measures digital performance and tracks the evolution of EU Member States in digital competitiveness, Italy is positioned among the last 4 companies, ahead only of Greece, Bulgaria and Romania.

The index analyses 5 different dimensions:

- Connectivity (fixed Broadband, Mobile Broadband, Broadband speed and Affordability)
 - Human Capital (Basic skills and usage, advanced skills and development)
 - **Use of internet** (content, communication and transaction online)
 - **Integration of Digital technology** (Business digitization and eCommerce)
 - Digital Public Services (eGovernment)
- (Source: Europe's Digital Progress Report 2018).

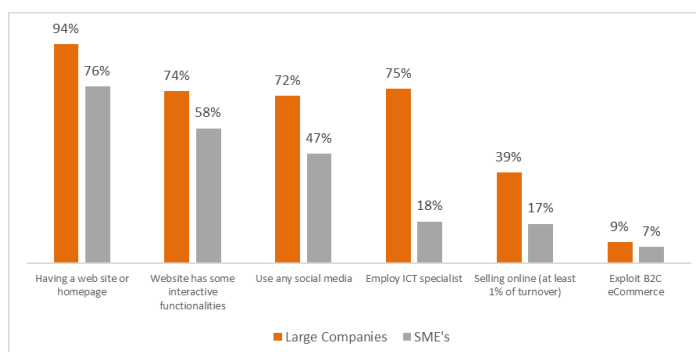


Source: European Commission – Fact Sheet "Digital Economy and Society Index (DESI) 2018" - Brussels, 18 May 2018

The Internet penetration **in Italy** highlights an important gap compared to more developed European countries, which indicate significant growth potential; only 64% of Italians over 18 years old (38 million) access the internet on a monthly basis, compared to 87% of USA, 83% of UK and 79% of France (Source: ComScore, 2017).

According to the European Commission, large companies are favored in the digital transformation process thanks to scale advantages and more capacity to employ at least some internal ICT specialists, but SMEs are closing the gap thanks to high presence on social media and they try to exploit e-commerce possibilities by selling through marketplaces.

The table below illustrates the degree of penetration of different technologies monitored by DII (Digital Intensity Index). While some dimensions seem to be reaching saturation (e.g. having a simple website), for other there is plenty of space for improvement.



Source: European Commission, based on Eurostat Community survey ICT usage and e-commerce in enterprises

E-commerce is growing but not many SMEs sell online

According to a research made by Doxa, only 63% of Italian SMEs have a website (vs. 77% European average), and less than 6% (vs. 17% European average) are selling their products and services online, although online shopping in Italy has been growing by a 2013-2017E CAGR of 15% (Source: the Italy Ecommerce Country 2017 report from the Ecommerce Foundation). Considering that the **Italian economic system** presents more than **5 million micro and small businesses**¹, **the digitalization of these companies, that will occur in the next years, present an important opportunity for players operating in the sector.**

COMPETITIVE LANDSCAPE

Highly fragmented market

The Italian Digital Services market (which include SEO, AdWords, Web marketing, Technology & Digital Transformation) **is particularly fragmented** and dominated by a few very large players (mainly part of international groups) and a large number of smaller players (limited number of web agencies with revenues between 2-8 Eu m, a couple of hundreds of companies with revenues of about 1 Eu m and thousand of even smaller companies with revenues below 500 Eu k) each with a specific set of skills in a particular area.

PRISMI Group's business is focused on SEO for SMEs, where it is **among the three market leaders in Italy** together with ItaliaOnLine and PagineSI. The Group positions itself with high price/quality ratio which it is allowed to offer thanks' to highly standardized products. The Group also distinguish itself by targeting all three customer segments: SME, Corporate and PA. Through Wellnet the Group increasingly intend to target corporate clients (Big Companies) and PA with Digital Transformation and Web marketing services.

¹ The determination of the company size follows the classification reported in the Ministerial Decree 18 April 2005. The companies are classified according to the number of employees: Large company, with more than 250 employees; Small Medium Business (SME), with a number of employees between 10 and 249; Micro enterprise, with a number of employees between 2 and 9.

FINANCIAL PERFORMANCE

Profit & Loss

Profit & Loss Statement

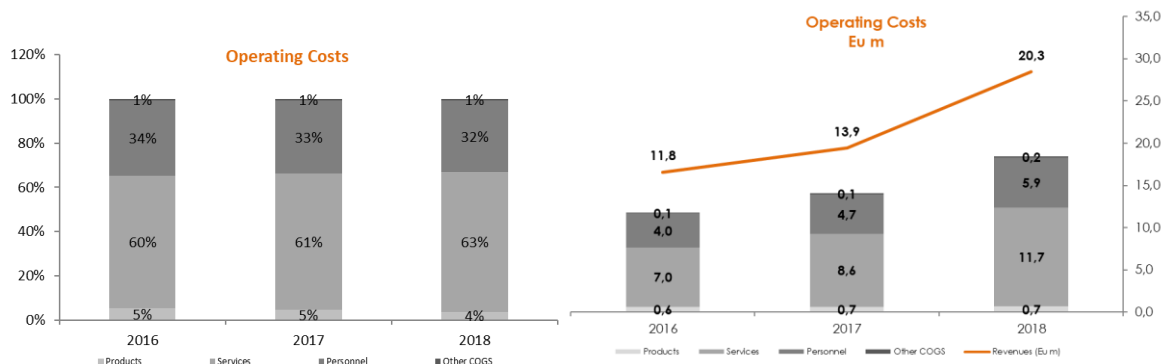
Over the 2016-2018 period **revenues** grew from Eu 12.3 Eu m to Eu 21.2 Eu m, posting a + 31% CAGR. More in detail, FY 2018 net sales grew by +47% to 20 Eu m (13.8 Eu m in FY 2017) also thanks to and the inclusion in the Group perimeter of Wellnet and InGrandiMenti (consolidated only for two and three months respectively in 2017), net of which growth was of +45%.

IAS/IFRS – Eu m	FY 2018*	FY 2017*	FY 2016*
Sales	20.3	13.9	11.8
YoY growth	+47%	+18%	-
Value of Production	21.2	15.0	12.3
YoY growth	+42%	+21%	-
Products	(0.7)	(0.7)	(0.7)
Services	(11.7)	(8.6)	(7.0)
Personnel	(5.9)	(4.79)	(4.0)
Other COGS	(0.2)	(0.1)	(0.1)
EBITDA	2.8	0.9	0.6
EBITDA%	13%	6%	5%
D&A – Write down – Other provisions	(2.1)	(2.1)	(1.8)
EBIT	0.6	(1.1)	(1.3)
EBIT%	3%	-8%	-10%
Net Financial charges	(1.9)	(1.9)	(1.8)
EBT	(1.7)	(3.2)	(3.3)
EBT%	-8%	-22%	-27%
Taxes	0.1	(0.2)	0.2
Net Profit	(1.6)	(3.4)	(3.1)
Group's Net Profit	(1.6)	(3.3)	(2.9)

* Financial results as reported by the Company. In particular, the definition of EBITDA differs slightly vs. criteria generally adopted by IR Top and presents a difference of -0.4 Eu m in FY 2018

FY 2018 **EBITDA** came in at 2.8 Eu m, up by 211% vs. 0.9 Eu m in FY 2017, with an increase in EBITDA margin of c. 700 bps, thanks to operating leverage and cost control. In FY 2018 EBITDA was negatively impacted by subsidiaries (Wellnet and InGrandiMenti), still in start up/integration phase with a negative contribution of c. 0.4 Eu m.

Services and Personnel are the most important cost items followed by Products and Other COGS. In FY 2018 Personnel costs increased (from 4.7 to 5.9 Eu m) after the reinforcement of managerial structure. Services of 11.7 Eu m increased from 8.6 Eu, the increase was however more than offset by higher revenue volumes (62% on revenues in FY 2017 vs. 57% in FY 2018).



Over the period, profitability at **EBIT** and **pre-tax** level improved significantly thanks to better operating results and D&A and writ downs and provisions remained stable. The Company reached break even at EBIT level in FY 2018 after D&A of 0.4 Eu m and write-downs and provisions of 1.3 Eu m. Net financial charges (including banks' fees) amounted to 1.7 Eu m (1.7 Eu m in FY 2017) representing 9% of total sales. Net loss in FY 2018 was of 1.6 Eu m.

Balance Sheet

Balance Sheet and Cash Flow

As a result of the highly fragmented client base (c. 5,000 SMEs) PRISMI's business is characterized by payments in instalments for the total duration of a contract with a client (c. 30 months on average). This dynamic causes a high level of trade receivables as revenues are fully recognized at signing of a new contract (when all relative costs are sustained), and consequently an important need to finance working capital.

Eu m – Reported	FY 2018 IAS/IFRS	FY 2017 IAS/IFRS	FY 2016 IAS/IFRS
Current trade receivables	23.1	12.7	6.2
Overdue trade receivables	8.3	8.3	8.0
Other current Assets	7.3	6.3	6.2
Trade payables	(3.1)	(2.6)	(2.6)
Other Liabilities	(9.0)	(7.3)	(7.5)
Net Working Capital	26.6	17.2	10.3
Intangible Assets	1.7	1.3	1.1
Goodwill	2.8	2.8	2.5
Tangible Assets	0.3	0.2	0.2
Financial Assets	0.3	0.3	0.3
Other non-current Assets	0.9	0.9	0.8
Fixed Net Assets	6.0	5.5	4.8
TFR Fund	(1.4)	(1.2)	(1.0)
Other Fund	0	(0.1)	(0.0)
Funds	(1.4)	(1.2)	(1.0)
Net Capital Employed	31.2	21.5	14.1
Net debt	25.4	19.1	12.0
Group's Equity	5.8	2.3	1.8
Minorities	0.1	0.1	0.4
Net Equity	5.8	2.4	2.2
Sources	31.2	21.5	14.1

Management has put into force actions to reduced overdue receivables

Until 2014 PRISMI's revenues grew significantly but important overdue trade receivables arose. To resolve the situation Management has since put into force actions (change in billing methods, credit checks, monitoring and credit collection team) that have reduced risk of continuous generation of overdue credits. As a result overdues on total receivables and on sales have decreased significantly in the last three years: from 64% in 2016 to 26% in FY 2018. However, overdue credits continue to remain important. The table below illustrates the breakdown of receivable in 2016-2018 (PRISMI SpA).

Aging Receivables year-end	Total Expired	<180 dd	<360 dd	<540 dd	<720 dd	>720 dd	Overdue on total (%)
2016	7.98	0.53	0.50	0.57	0.49	5.89	56%
2017	8.26	1.04	0.36	0.31	0.39	6.16	39%
2018	8.26	1.08	0.62	0.74	0.27	5.55	26%

At FY 2018 trade receivables stood at 31.4 Eu m of which 8.3 Eu m were overdue, net of a consolidated risk fund of 2.1 Eu m. The increase vs. FY 2017 (20.9 Eu m) is explained by higher revenues and less non-recourse securitization (1.4 Eu m vs. 3.0 Eu m in FY 2017). Trade payables stood at 3.1 Eu m (3.6 Eu m in FY 2017).

At year end 2018, other liabilities stood at 9.0 Eu m (7.3 Eu m in FY 2017). The larger part (7.4 Eu m in 2018 and 6.9 Eu m in 2017) is represented by tax and social security debts, of which c. 2.3 Eu m non-current.

Fixed assets stood at 6.0 Eu m in FY 2018 (5.5 Eu m in FY 2017) and include 2.8 Eu m of goodwill mainly related to the foundation of 2 The Point PSM S.r.l. by Wellnet. Net debt at year end 2018 was of 25.4 Eu m, up from 19.1 Eu m at the end of December 2017 after the increase in working capital largely financed by the issuance of bonds. Group's equity increased to 5.8 Eu m (2.3 at year end 2017) albeit the net loss in FY 2018, following a capital increase of 4.9 Eu m (March 2018 and December 2018).

Net debt PRISMI (Eu m)
IAS/IFRS

	FY 2018	FY 2017
POC PSM 2015-2021	9.1	8.2
Bond*	0.3	0.8
Bond PSM 90	7.0	8.7
Bond PSM 85	9.7	-
Bank debt	0.4	1.3
Other	0.1	0.6
Cash	(1.2)	(0.6)
Net Debt	25.4	19.1

* PSM 5% 2017-2019, and PSM 7% 2015-2020

BUSINESS PLAN

Focus on Wellnet and financial equilibrium

On 26th February 2019 management released a business plan, including selected financial targets for 2019-2023 and built on the following strategic actions:

- launch of **new products** with a particular focus on advanced innovation;
- improvement of the delivery also through the strengthening of customer care;
- strengthening of the **sales network** through commercial synergies between group companies and lead generation innovation;
- **Focus on Wellnet's value added services also tough the evaluation of** M&A opportunities an in particular targets with medium-large customers, located in the north of Italy and with a turnover of over Eu 2.5 m;
- **Focus on receivables and financial equilibrium:** by entering a securitization agreement up to 20 Eu m, decrease in payment terms, and increase of Wellnet's business (larger customers).

Financial targets Business Plan 2019-2023

Eu m	FY 2018A	FY 2019	FY 2023
Revenues	21.1	27.2	47.0
EBITDA	2.4	5.3	13.4
Revenues/Net Debt	0.8x	0.8x	0.4x
EBITDA/Net Debt	10.6x	4.1x	1.3x

ESTIMATES
2019-2021

2019-2021 ESTIMATES

On the back of 2018 results and new strategic guidelines released by the Company, we expect the positive performance to continue in the 2019-2021 period, although we remain slightly more conservative than the business plan

Other assumptions for our estimates are:

- Revenue growth in 2019 of +23% (as of April 2019 management reported revenue growth of +18%), and after that at a 2019-2021 CAGR of +15%;
- 2019-2020 EBITDA CAGR of 28% and an increase in EBITDA margin from 13% in 2018 to 21% in 2021 as fixed costs are spread over higher revenues;
- The Group will reach break-even in 2020;
- Total estimated Capex for the period is of 2.7 Eu m and represented by capitalized R&D expenses and costs for the development of new products and services;
- A gradual reduction of overdue credits from 8.3 Eu m at year end 2018 to 7.4 Eu m in 2021. The recovery of credits overdue by more than 60 days is entrusted to credit collection companies or lawyers;
- Our estimates of working capital are based on the assumption that the Company will enter into a credit securitization agreement;
- Net debt at year end 2021 of 15.8 Eu m with an Net Debt/EBITDA ratio of 2.2x (9.1x in FY 2018).

Key success factors in support of the plan:

- Cash flow from reduction in overdue credits (c. 0.3 Eu m annually);
- Entering a securitization agreement within 1H 2019;
- Increase in client base of SMEs thanks to strengthening of sales force;
- Cross selling opportunities from offering Wellnet's services to the already large client base of SMES's.

MAIN FINANCIAL INDICATORS

Eu m – IAS/IFRS	18A*	19E	20E	21E
Value of Production	21.2	26.1	30.0	34.5
yoy	+41.6%	+23.0%	+15.0%	+15.0%
EBITDA	2.8	4.4	5.7	7.2
margin	13.0%	16.9%	18.9%	20.7%
EBIT	0.6	2.7	3.9	5.2
margin	3%	10.4%	12.9%	15.0%
Pre tax profit	(1.7)	0.7	1.5	2.5
Minority Interest	0.0	(0.0)	(0.1)	(0.1)
Group's Net Profit	(1.7)	0.5	1.1	1.8

Eu m – IAS/IFRS	18A*	19E	20E	21E
Net Working Capital (NWC)	27.7	25.5	21.3	20.8
Fixed net assets	5.1	6.2	6.4	6.3
Funds	(1.7)	(1.7)	(1.9)	(2.1)
Net Capital Employed	31.2	30.0	25.7	24.9
Net Financial Position (Cash)	25.4	23.7	18.4	15.8
Group's Equity	5.8	6.3	7.4	9.1
Minority Interest	0.2	0.1	0.1	(0.0)
Sources	31.2	30.0	25.7	24.9

Source: Company Data and IR Top estimates
*Reported

Our valuation of PRISMI is based only on a Discounted Cash Flow (DCF) analysis as the important amount of Net Debt makes a relative valuation (market multiples) irrelevant.

DCF

Main assumptions are:

- Perpetual growth: 1.0%
- Risk-free interest rate: 2.72% (12-month average of Italian 10y BTP yield)
- β (unlevered): 0.64
- ERP: 8.56%
- WACC: 9.9%

Sum of PV 2019-2021 FCF – Eu m	13.7	25%
Terminal Value – Eu m	41.2	75%
Total Enterprise Value – Eu m	54.9	100%
Net Debt FY 2018	25.4	
Minorities FY 2018	0.1	
Total Equity Value – Eu m	29.5	
Number of outstanding shares	10,497,539	
Fair Value per share – Eu	2.81	

Our valuation yields an equity value of 29.5 Eu m and a **target price of 2.81 Eu**, implying an upside of 37% and an implicit 2019 EV/EBITDA multiple of 12.4x.

Sensitivity Analysis on Target Price

Eu m		WACC				
		8.9%	9.4%	9.9%	10.4%	10.9%
g	0.5%	3.19	2.87	2.58	2.33	2.10
	1.0%	3.48	3.12	2.81	2.53	2.28
	1.5%	3.81	3.42	3.07	2.75	2.48

VALUATION

Our valuation yields a Target Price of 2.81 Eu per share

PEERS ANALYSIS

The tables below show estimates and multiples for a peer group of “digital” companies listed on AIM Italia.

Eu m	Market Cap	Revenues			EBITDA			EBIT			EARNINGS		
		18E	19E	20E	18E	19E	20E	18E	19E	20E	18E	19E	20E
Alkemy	64	71.6	97.7	109.3	6.2	7.7	10.0	4.8	5.9	8.2	3.4	3.7	5.1
Digital Value	110	296.2	310.5	343.3	24.0	26.6	30.4	21.5	24.7	28.5	14.8	15.4	17.9
Digital360	18	22.2	26.4	30.2	2.8	3.2	4.0	0.7	0.7	1.3	-0.1	-0.2	0.2
DigiTouch	18	32.2	37.4	44.6	4.5	6.1	7.6	1.0	3.8	5.1	0.3	1.9	2.7
Expert System	68	28.7	33.5	38.3	4.6	7.6	9.8	-3.2	-0.6	2.6	-3.8	-1.7	1.9
MailUp	48	39.0	50.4	59.3	3.8	5.1	6.9	1.9	3.0	4.5	1.3	1.9	2.9
Neosperience	65	11.5	15.0	19.9	3.4	3.8	5.0	0.5	2.5	3.6	0.4	1.7	2.4
SosTravel.com	16	2.5	4.4	8.5	0.5	1.4	3.8	0.3	1.0	3.3	0.2	0.7	2.4
Vetrya	45	59.4	87.1	99.2	7.7	10.3	13.2	4.0	6.4	9.3	3.0	4.5	6.6
Median Digital Peers	48	32.2	37.4	44.6	4.5	6.1	7.6	1.0	3.0	4.5	0.4	1.9	2.7

	EV/SALES			EV/EBITDA			EV/EBIT			P/E		
	18E	19E	20E	18E	19E	20E	18E	19E	20E	18E	19E	20E
Alkemy	1.0	0.8	0.6	15.5	12.5	8.6	15.5	12.5	8.6	18.9	17.3	12.7
Digital Value	0.3	0.2	0.1	3.6	2.8	1.6	3.6	2.8	1.6	7.4	7.1	6.1
Digital360	1.0	1.0	0.8	31.7	35.7	18.2	31.7	35.7	18.2	n.a.	n.a.	90.1
DigiTouch	0.6	0.5	0.4	18.8	4.9	3.1	18.8	4.9	3.1	68.2	9.9	6.9
Expert System	2.8	2.3	2.0	n.a.	n.a.	30.2	n.a.	n.a.	30.2	n.a.	n.a.	36.2
MailUp	1.1	0.8	0.7	21.8	13.9	8.7	21.8	13.9	8.7	38.1	25.6	16.7
Neosperience	5.9	4.1	3.0	128.4	24.1	16.7	128.4	24.1	16.7	150.4	38.0	26.5
SosTravel.com	8.1	4.8	2.8	63.4	21.8	7.1	63.4	21.8	7.1	63.7	22.4	6.5
Vetrya	0.7	0.5	0.4	10.3	7.2	4.6	10.3	7.2	4.6	14.8	9.9	6.8
Median Digital Peers	1.0	0.8	0.7	20.3	13.2	8.6	20.3	13.2	8.6	38.1	17.3	12.7
Prismi	2.2	1.6	1.4	72.8	8.8	6.6	72.8	8.8	6.6	n.a.	12.7	9.4
Discount/Premium to peers	111%	97%	107%	258%	-33%	-24%	258%	-33%	-24%	n.a.	-27%	-26%

Source: IR Top estimates for Prismi; multiples computed on the base of the consensus of the researches published in the last year and available about the listed Company, as of May 13th, 2019, for the AIM Italia companies of Digital sector.
n.a. = not available; n.m. = not meaningful

PRISMI on AIM

-91% from IPO

IPO

Date: 26 July 2012
 Capital raised: 3.5 Eu m
 Price: 22.0 Eu
 Capitalisation: 24.8 Eu m

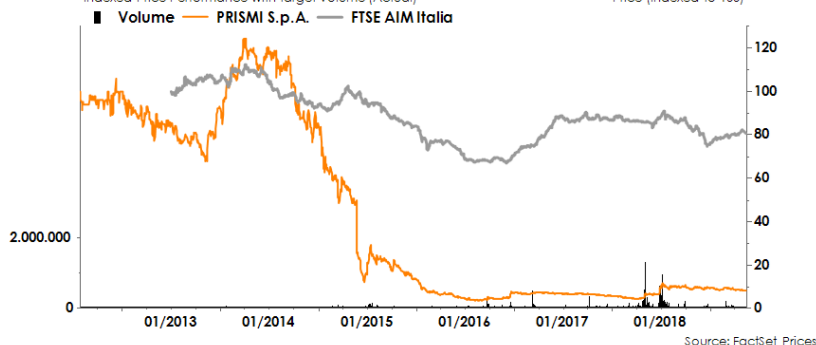
SHARES (as of May 13th, 2019)

Code: PRM
 Bloomberg: PRM IM
 Reuters: PRSM.MI
 ISIN: IT0004822695
 Share capital: 10,497,539 Eu
 Shares: 10,497,539
 Price: 2.06 Eu
 Performance from IPO: -91%
 Capitalisation: 22 Eu m
 NomAd: EnVent Capital Markets
 Specialist: Banca Finnat

PRISMI S.p.A. vs. Ftse AIM Italia Index

Indexed Price Performance with target volume (Actual)

Price (Indexed to 100)

BOND (as of May 13th, 2019)

Name	Max Size (Eu m)	Subscribed (Eu m)	Convert (Eu m)	Outstanding (Eu m)	Expiry	Rate
PSM 7% 2015-2020	6.40	2.05	1.75	0.30	07/09/2020	7%
PSM 2015-2021 Convertible	9.90	9.9	-	9.9	12/06/2021	7%
PSM 90 5.5%	9.50			6.7		
PSM 90 2017-2021 Tranche A		2.18	-		10/23/2021	5.5%
PSM 90 2017-2022 Tranche B		3.20	-		08/31/2022	5.5%
PSM 90 2017-2022 Tranche C		1.89	-		01/31/2022	5.5%
PSM 90 2017-2023 Tranche D		2.1	-		04/30/2023	5.5%
PRISMI 85 5% 2018-2023	10.5			9.8		
PSM 85 2018-2023 Tranche A		1.221	-		04/30/2023	5%
PSM 85 2018-2023 Tranche B		3.116	-		07/31/2022	5%
PSM 85 2018-2023 Tranche C		2.374	-		10/31/2023	5%
PSM 85 2018-2023 Tranche D		1.430	-		21/10/2023	5%
PSM 85 2018-2024 Tranche E		1.233	-		04/23/2024	5%
PSM 85 2018-2023 Tranche F		1.125	-		07/12/2023	5%
PRISMI 85 2019-2027	12.0			12.0		
First Tranche 2019-2023		1.500	-		02/16/2023	5%
Second Tranche 2019-2023		1.240	-		05/15/2023	5%
Third Tranche 2019-2023		1.560	-		06/22/2023	5%
Fourth Tranche 2019-2024		0.950	-		07/23/2024	5%
PRISMI 5% 2019-2021	1.0	0.530	-	0.530	05/03/2021	5%

CAPITAL INCREASE (as of May 13th, 2019)

	Date	Share Subscribed	Price (Eu)	Amount Subscribed (Eu m)
IPO	07/2012	159,866	22.0	3.5
Share Capital Increase	12/2012	31,223	22.0	0.7
Share Capital Increase – First Tranche	06/2013	76,818	21.0	1.6
Share Capital Increase – Second Tranche	07/2013	86,580	21.0	1.8
Warrant Exercise PSM 2012-2015	02/2014	27,293	24.0	0.7
Warrant Exercise PSM 2012-2015	10/2014	8,980	24.0	0.2
Share Capital Increase	12/2014	21,992	22.5	0.5
Share Capital Increase	12/2014	900	22.5	0.02
Warrant Exercise PSM 2012-2015	02/2015	107,250	16.0	1.7
Warrant Exercise PSM 2012-2016	10/2015	40	11.5	0.00046
Share Capital Increase	05/2016	1,242,015	1.74	2.2
Share Capital Increase	12/2016	579,511	1.74	1.0
Share Capital Increase	03/2017	1,158,708	1.74	2.0
Share Capital Increase	05/2017	637,983	1.74	1.1
Share Capital Increase	03/2018	2,614,301	1.24	3.2
Share Capital Increase	12/2018	724,962	2.40	1.7

Prismi on AIM

WARRANT 2018-2020

Alphanumeric code: WPRM20

ISIN: IT0005326613

Issued warrants: 14,052,739

Exercise ratio: 1 ordinary share every 2 warrant helds.

1st exercise period: 02/05/2019 – 31/05/2019; exercise price € 1,24

2nd exercise period: 04/05/2020 – 31/05/2020; exercise price € 1,36

Number of outstanding Warrant at May 13th, 2019: 14,052,739.

STOCK OPTION

On November 22th 2018, the shareholders' meeting approved the Stock Grant 2019-2021 plan for a maximum of nominal 250 Eu k and the related capital increase exclusively for this plan.

KEY FIGURES

PRISMI CONSOLIDATO - IFRS

Profit&Loss Statement

	2017	2018	2019	2020	2021
Revenues (VdP)	15.2	21.8	26.1	30.0	34.5
EBITDA	0.1	1.7	4.4	5.6	7.2
EBIT	(1.6)	0.0	2.7	3.8	5.2
Financial Income (charges)	(1.7)	(1.7)	(2.0)	(2.3)	(2.7)
Pre-tax profit (loss)	(3.2)	(1.7)	0.7	1.4	2.5
Taxes	(0.2)	0.1	(0.2)	(0.4)	(0.7)
Minorities	0.1	0.0	(0.0)	(0.0)	(0.1)
Group's Net Profit	(3.3)	(1.6)	0.5	1.0	1.7
Consolidated Net profit	(3.4)	(1.6)	0.5	1.0	1.7

Balance Sheet

Fixed assets	4.5	6.0	6.2	6.2	6.0
NWC	18.1	26.6	25.5	21.2	20.6
M/L Funds	(1.2)	(1.4)	(1.5)	(1.6)	(1.8)
Net Capital Employed	21.4	31.2	30.2	25.7	24.9
Net Debt	19.1	25.4	23.9	18.4	15.8
Group's Equity	2.3	5.8	6.2	7.2	8.9
Minorities	0.1	0.1	0.1	0.1	0.2
Net Equity	2.4	5.8	6.3	7.3	9.0

Cash Flow

EBIT	(1.6)	0.0	2.7	3.8	5.2
D&A	0.6	0.4	0.7	0.9	1.0
Tax	(0.2)	0.1	(0.2)	(0.4)	(0.7)
Other	0.0	0.0	0.0	0.0	0.0
Change in M/L Funds	0.3	0.1	0.1	0.2	0.2
Gross Cash Flow	(0.9)	0.6	3.3	4.4	5.7
Change in NWC	(7.1)	(8.5)	1.1	4.3	0.5
Operating Cash Flow	(7.9)	(7.9)	4.4	8.7	6.2
Capex	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)
Change in Goodwill and other financial assets	(0.3)	(0.8)	(0.0)	0.0	0.0
Financial Income (charges)	(1.7)	(1.7)	(2.0)	(2.3)	(2.7)
Free Cash Flow	(10.7)	(11.3)	1.5	5.5	2.6
Dividend	0.0	0.0	0.0	0.0	0.0
Change in Equity	3.5	5.1	0.0	0.0	0.0
Change in Net debt	(7.2)	(6.3)	1.5	5.5	2.6

Per Share Data

Current Price	2.06				
Total shares out (mn) average					
EPS	(0.31)	(0.15)	0.04	0.09	0.16
DPS	0.0	0.0	0.0	0.0	0.0
FCF	(10.7)	(11.3)	1.5	5.5	2.6
Pay out ratio	0%	0%	0%	0%	0%

Ratios

EBITDA margin	0.9%	8.0%	16.9%	18.8%	20.9%
EBIT margin	-10.3%	0.2%	10.4%	12.5%	15.0%
Net Debt/Equity (Gearing)	811%	435%	378%	252%	175%
Net Debt/EBITDA	143.8x	14.5x	5.4x	3.3x	2.2x
Interest cover EBIT	0.9x	0.0x	-1.3x	-1.6x	-1.9x
ROE	-144%	-27%	8%	14%	19%
Free Cash Flow Yield	n.a.	n.a.	n.a.	n.a.	n.a.

Growth Rates

Sales	17.4%	42.8%	20.0%	15.0%	15.0%
EBITDA	179.5%	1217.7%	152.3%	27.6%	28.4%
EBIT	7.0%	102.4%	n.a.	38.1%	37.7%
Net Profit	-10.5%	52.9%	130.2%	106.4%	75.0%

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